

AMENDED IN SENATE APRIL 9, 2007

SENATE BILL

No. 980

Introduced by Senator Padilla

February 23, 2007

An act to amend ~~Section 345.5 of the Public Utilities Code~~ Sections 25300, 25302.5, and 25303 of the *Public Resources Code*, relating to ~~electrical restructuring~~ *energy*.

LEGISLATIVE COUNSEL'S DIGEST

SB 980, as amended, Padilla. ~~Independent System Operator. Energy:~~ *integrated energy policy report.*

Existing law requires that beginning November 1, 2003, and every two years thereafter, the State Energy Resources Conservation and Development Commission to adopt an integrated energy policy report containing certain required information.

This bill would require the commission, as part of the integrated energy policy report, to evaluate the adequacy of the electric distribution system of each local publicly owned electric utility in the state pursuant to specified requirements.

~~The existing restructuring of the electrical industry within the Public Utilities Act provides for the establishment of an Independent System Operator (ISO) as a nonprofit public benefit corporation. Existing law requires the ISO to maintain open meeting standards and meeting notice requirements consistent with the Bagley-Keene Open Meeting Act.~~

~~This bill would make technical, nonsubstantive corrections to the reference to the Bagley-Keene Open Meeting Act as it pertains to the operation of the ISO.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 *SECTION 1. Section 25300 of the Public Resources Code is*
2 *amended to read:*

3 25300. (a) The Legislature finds and declares that clean and
4 reliable energy is essential to the health of the California economy
5 and of vital importance to the health and welfare of the citizens of
6 the state and to the environment.

7 (b) The Legislature further finds and declares that government
8 has an essential role to ensure that a reliable supply of energy is
9 provided consistent with protection of public health and safety,
10 promotion of the general welfare, maintenance of a sound economy,
11 conservation of resources, and preservation of environmental
12 quality.

13 (c) The Legislature further finds and declares that the state
14 government requires at all times a complete and thorough
15 understanding of the operation of energy markets, including
16 electricity, natural gas, petroleum, and alternative energy sources,
17 to enable it to respond to possible shortages, price shocks,
18 oversupplies, or other disruptions.

19 (d) The Legislature further finds and declares that timely
20 reporting, assessment, forecasting, and data collection activities
21 are essential to serve the information and policy development needs
22 of the Governor, the Legislature, public agencies, market
23 participants, and the public.

24 (e) *The Legislature further finds and declares that the state*
25 *government should periodically evaluate the status of the electric*
26 *distribution system infrastructure, so it can ensure that investments*
27 *necessary to preserve and improve electric reliability and energy*
28 *efficiency are made.*

29 ~~(e)~~
30 (f) The Legislature further finds and declares that one of the
31 objectives of this act is to encourage cooperation among the various
32 state agencies with energy responsibilities.

33 *SEC. 2. Section 25302.5 of the Public Resources Code is*
34 *amended to read:*

35 25302.5. (a) As part of each integrated energy policy report
36 required pursuant to Section 25302, each entity that serves or plans
37 to serve electricity to retail customers, including, but not limited
38 to, electrical corporations, nonutility electric service providers,

community choice aggregators, and local publicly owned electric utilities, shall provide the commission with its forecast of both of the following:

(1) The amount of its forecasted load that may be lost or added by any of the following:

(A) A community choice aggregator.

(B) An existing local publicly owned electric utility.

(C) A newly formed local publicly owned electric utility.

(2) Load that will be served by an electric service provider.

(b) The commission shall perform an assessment in the service territory of each electrical corporation of the loss or addition of load described in this section and submit the results of the assessment to the Public Utilities Commission.

(c) Notwithstanding subdivision (a), the commission may exempt from the forecasting requirements in that subdivision, a local publicly owned electric utility that is not planning to acquire additional load beyond its existing exclusive service territory within the forecast period provided by the commission pursuant to Section 25303.

(d) For purposes of this ~~section~~ *chapter*, the following terms have the following meanings:

(1) “Community choice aggregator” means any “community choice aggregator” as defined in Section 331.1 of the Public Utilities Code.

(2) “Electrical corporation” means any “electrical corporation” as defined in Section 218 of the Public Utilities Code.

(3) “Electric service provider” means any “electric service provider” as defined in Section 218.3 of the Public Utilities Code.

(4) “Local publicly owned electric utility” means any “local publicly owned electric utility” as defined in Section 9604 of the Public Utilities Code.

SEC. 3. Section 25303 of the Public Resources Code is amended to read:

25303. (a) The commission shall conduct electricity and natural gas forecasting and assessment activities to meet the requirements of paragraph (1) of subdivision (a) of Section 25302, including, but not limited to, all of the following:

(1) Assessment of trends in electricity and natural gas supply and demand, and the outlook for wholesale and retail prices for

1 commodity electricity and natural gas under current market
2 structures and expected market conditions.

3 (2) Forecasts of statewide and regional electricity and natural
4 gas demand including annual, seasonal, and peak demand, and the
5 factors leading to projected demand growth including, but not
6 limited to, projected population growth, urban development,
7 industrial expansion and energy intensity of industries, energy
8 demand for different building types, energy efficiency, and other
9 factors influencing demand for electricity. With respect to
10 long-range forecasts of the demand for natural gas, the report shall
11 include an evaluation of average conditions, as well as best and
12 worst case scenarios, and an evaluation of the impact of the
13 increasing use of renewable resources on natural gas demand.

14 (3) Evaluation of the adequacy of electricity and natural gas
15 supplies to meet forecasted demand growth. Assessment of the
16 availability, reliability, and efficiency of the electricity and natural
17 gas infrastructure and systems including, but not limited to, natural
18 gas production capability both in and out of state, natural gas
19 interstate and intrastate pipeline capacity, storage and use, and
20 western regional and California electricity and transmission system
21 capacity and use.

22 (4) Evaluation of potential impacts of electricity and natural gas
23 supply, demand, and infrastructure and resource additions on the
24 electricity and natural gas systems, public health and safety, the
25 economy, resources, and the environment.

26 (5) Evaluation of the potential impacts of electricity and natural
27 gas load management efforts, including end-user response to
28 market price signals, as a means to ensure reliable operation of
29 electricity and natural gas systems.

30 (6) Evaluation of whether electricity and natural gas markets
31 are adequately meeting public interest objectives including the
32 provision of all of the following: economic benefits; competitive,
33 low-cost reliable services; customer information and protection;
34 and environmentally sensitive electricity and natural gas supplies.
35 This evaluation may consider the extent to which California is an
36 element within western energy markets, the existence of appropriate
37 incentives for market participants to provide supplies and for
38 consumers to respond to energy prices, appropriate identification
39 of responsibilities of various market participants, and an assessment
40 of long-term versus short-term market performance. To the extent

1 this evaluation identifies market shortcomings, the commission
2 shall propose market structure changes to improve performance.

3 (7) Identification of impending or potential problems or
4 uncertainties in the electricity and natural gas markets, potential
5 options and solutions, and recommendations.

6 (8) (A) Compilation and assessment of existing scientific studies
7 that have been performed by persons or entities with expertise and
8 qualifications in the subject of the studies, to determine the
9 potential vulnerability, to a major disruption due to aging or a
10 major seismic event, of large baseload generation facilities, of
11 1,700 megawatts or greater.

12 (B) The assessment specified in subparagraph (A) shall include
13 an analysis of the impact of a major disruption on system reliability,
14 public safety, and the economy.

15 (C) The commission may work with other public entities and
16 public agencies, including, but not limited to, the California
17 Independent System Operator, the Public Utilities Commission,
18 the Department of Conservation, and the Seismic Safety
19 Commission as necessary, to gather and analyze the information
20 required by this paragraph.

21 (D) Upon completion and publication of the initial review of
22 the information required pursuant to this paragraph, the commission
23 shall perform subsequent updates as new data or new understanding
24 of potential seismic hazards emerge.

25 (b) Commencing November 1, 2003, and every two years
26 thereafter, to be included in the integrated energy policy report
27 prepared pursuant to Section 25302, the commission shall assess
28 the current status of the following:

29 (1) The environmental performance of the electric generation
30 facilities of the state, to include all of the following:

31 (A) Generation facility efficiency.

32 (B) Air emission control technologies in use in operating plants.

33 (C) The extent to which recent resource additions have, and
34 expected resource additions are likely to, displace or reduce the
35 operation of existing facilities, including the environmental
36 consequences of these changes.

37 (2) The geographic distribution of statewide environmental,
38 efficiency, and socioeconomic benefits and drawbacks of existing
39 generation facilities, including, but not limited to, the impacts on
40 natural resources including wildlife habitat, air quality, and water

resources, and the relationship to demographic factors. The assessment shall describe the socioeconomic and demographic factors that existed when the facilities were constructed and the current status of these factors. In addition, the report shall include how expected or recent resource additions could change the assessment through displaced or reduced operation of existing facilities.

(c) In the absence of a long-term nuclear waste storage facility, the commission shall assess the potential state and local costs and impacts associated with accumulating waste at California's nuclear powerplants. The commission shall further assess other key policy and planning issues that will affect the future role of nuclear powerplants in the state. The commission's assessment shall be adopted on or before November 1, 2008, and included in the 2008 energy policy review adopted pursuant to subdivision (d) of Section 25302.

(d) The commission shall evaluate the adequacy of the electric distribution system of each local publicly owned electric utility in the state as part of the integrated energy policy report due on or before November 1, 2009.

(1) The evaluation shall consider all of the following:

(A) The age and expected life of system components.

(B) Adequacy of maintenance.

(C) Level of recent and planned investment.

(D) Opportunities for improved energy-efficiency from high efficiency transformers.

(E) Reliability performance and system restoration after outages.

(F) Other characteristics the commission determines are appropriate.

(2) The evaluation shall compare the adequacy of the electric distribution systems of publicly owned electric utilities with investor owned utilities.

(3) For purposes of this section, "electric distribution system" includes all lines, substations, equipment and facilities from the transmission system to the customer meter, and all facilities for operating and controlling that system.

~~SECTION 1. Section 345.5 of the Public Utilities Code is amended to read:~~

~~345.5. (a) The Independent System Operator, as a nonprofit, public benefit corporation, shall conduct its operations consistent~~

1 with applicable state and federal laws and consistent with the
2 interests of the people of the state.

3 (b) To ensure the reliability of electric service and the health
4 and safety of the public, the Independent System Operator shall
5 manage the transmission grid and related energy markets in a
6 manner that is consistent with all of the following:

7 (1) Making the most efficient use of available energy resources.
8 For purposes of this section, “available energy resources” include
9 energy, capacity, ancillary services, and demand bid into markets
10 administered by the Independent System Operator. “Available
11 energy resources” do not include a schedule submitted to the
12 Independent System Operator by an electrical corporation or a
13 local publicly owned electric utility to meet its own customer load.

14 (2) Reducing, to the extent possible, overall economic cost to
15 the state’s consumers.

16 (3) Applicable state law intended to protect the public’s health
17 and the environment.

18 (4) Maximizing availability of existing electric generation
19 resources necessary to meet the needs of the state’s electricity
20 consumers.

21 (c) The Independent System Operator shall do all of the
22 following:

23 (1) Consult and coordinate with appropriate state and local
24 agencies to ensure that the Independent System Operator operates
25 in furtherance of state law regarding consumer and environmental
26 protection.

27 (2) Ensure that the purposes and functions of the Independent
28 System Operator are consistent with the purposes and functions
29 of nonprofit, public benefit corporations in the state, including
30 duties of care and conflict-of-interest standards for officers and
31 directors of a corporation.

32 (3) Maintain open meeting standards and meeting notice
33 requirements consistent with the general policies of the
34 Bagley-Keene Open Meeting Act (Article 9 (commencing with
35 Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of
36 the Government Code) and affording the public the greatest
37 possible access, consistent with other duties of the corporation.
38 The Independent System Operator’s Open Meeting Policy, as
39 adopted on April 23, 1998, and in effect as of May 1, 2002, meets
40 the requirements of this paragraph. The Independent System

1 Operator shall maintain a policy that is no less consistent with the
2 Bagley-Keene Open Meeting Act than its policy in effect as of
3 May 1, 2002.
4 (4) Provide public access to corporate records consistent with
5 the general policies of the California Public Records Act (Chapter
6 3.5 (commencing with Section 6250) of Division 7 of Title 1 of
7 the Government Code) and affording the public the greatest
8 possible access, consistent with the other duties of the corporation.
9 The Independent System Operator's Information Availability
10 Policy, as adopted on October 22, 1998, and in effect as of May
11 1, 2002, meets the requirements of this paragraph. The Independent
12 System Operator shall maintain a policy that is no less consistent
13 with the California Public Records Act than its policy in effect as
14 of May 1, 2002.